

BH&B

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January 16, 1997

RECORDATION NO. 90508
FILED 1425
JAN 21 1997 4 20 PM

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Filing Office
U.S. Department of Transportation
Surface Transportation Board
1201 Constitution Avenue, N.W.
Washington, D.C. 20423

Re: Security Interest of CoreStates Bank, N.A. in Assets of
Reading Blue Mountain & Northern Railroad Company

Dear Secretary:

I have enclosed two originals and two copies of each of three substantially identical security documents as described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code. The secured party took separate security agreements for three promissory notes dated July 17, 1996, October 16, 1996 and December 19, 1996 all from Debtor to Secured Party.

These documents are Security Agreements, primary documents, all dated December 19, 1996.

The names and addresses of the parties to the documents are as follows:

Debtor:

Reading Blue Mountain & Northern
Railroad Company
1 Railroad Boulevard
P.O. Box 218
Port Clinton, PA 19549

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BOARD
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Secured Party:	CoreStates Bank, N.A. 601 Penn Street P.O. Box 1102 Reading, PA 19603
Guarantors (not indicated on Security Documents):	Andrew M. Muller, Jr. and Carol S. Muller 16 Snowdraft Road Kutztown, PA 19530 Blue Mountain & Reading Railroad Company 1 Railroad Boulevard P.O. Box 218 Port Clinton, PA 19549 425 Concessions, Inc. P.O. Box 433 Hamburg, PA 19526 Reading & Northern Real Estate Company P.O. Box 433 Hamburg, PA 19526 East Mahanoy & Hazelton Railroad Company P.O. Box 433 Hamburg, PA 19526

Included in the property covered by the aforesaid Security Agreement are locomotives and other rolling stock intended for use related to interstate commerce, or interests therein, owned or operated by Reading Blue Mountain & Northern Railroad Company at the date of said Security Agreement or thereafter acquired by it or its successors as owners of

(i) that certain railroad line known as the Colebrookdale Industrial Track (U.S.R.A. Line No. 909) situated in Berks County and Montgomery County, Pennsylvania;

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(ii) that certain railroad line known as the Schuylkill Secondary Tract (U.S.R.A. Line No. 197b) situated in Berks County, Pennsylvania;

(iii) that certain railroad line known as the Kutztown Industrial Tract (U.S.R.A. Line No. 910) situated in Berks County, Pennsylvania;

(iv) that certain railroad line known as the Perkiomen Branch (U.S.R.A. Line No. 906) situated in Montgomery County and Lehigh County, Pennsylvania;

(v) that certain railroad line known as the Lehigh Line, Line Code 0501 (a/k/a 0503A) situated in Carbon County, Pennsylvania;

(vi) that certain railroad line known as the Lehigh Line, Line Code 0501 (a/k/a 0503A, 0506, and 0507) and Line Code 0521 (a/k/a 0504) situated in Luzerne County, Pennsylvania;

(vii) that certain railroad line known as the Taylor Secondary, Line Code 6241 situated in Luzerne County, Pennsylvania;

(viii) that certain railroad line known as the Dunmore Running Tract, Line Code 6244 (a/k/a 0501) situated in Luzerne County, Pennsylvania;

(ix) that certain railroad line known as the Kerr McGee Lead, Line Code 0589 (a/k/a 0501) situated in Luzerne County, Pennsylvania;

(x) that certain railroad line known as the Lehigh Line, Line Code 0501 (a/k/a 0507 and 0601) situated in Lackawanna County, Pennsylvania;

(xi) that certain railroad line known as the Taylor Secondary, Line Code 6241 situated in Lackawanna County, Pennsylvania;

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(xii) that certain railroad line known as the Kaiser Valley Branch, Line Code 6246 situated in Lackawanna County, Pennsylvania; and

(xiii) that certain railroad line known as the Lehigh Line, Line Code 0501 (a/k/a 0601) situated in Wyoming County, Pennsylvania.

A fee of \$22.00 is enclosed. Please return the original and any extra copies not needed by the Surface Transportation Board for recordation to:

Mark G. Yoder, Esquire
BINGAMAN, HESS, COBLENTZ & BELL, P.C.
660 Penn Square Center
601 Penn Street
P.O. Box 61
Reading, PA 19603

A short summary of the document to appear in the index follows:

Security

Primary Documents:

Security Agreements (3) between Reading, Blue Mountain & Northern Railroad Company with an address at 1 Railroad Boulevard, P.O. Box 218, Port Clinton, PA 19549 and CoreStates Bank, N.A. with an address at 601 Penn Street, P.O. Box 1102, Reading, Pennsylvania 19603 dated December 19, 1996 and covering the following:

I. LOCOMOTIVES

<u>MANUFACTURER</u>	<u>TYPE</u>	<u>EQUIPMENT NUMBER</u>
EMD	SW-8	800
EMD	SW-8	801
EMD	SW-8	802
EMD	SW-8	803

I. LOCOMOTIVES (continued)

<u>MANUFACTURER</u>	<u>TYPE</u>	<u>EQUIPMENT NUMBER</u>
EMD	NW2	1000
EMD	SW-7	1200
EMD	SW-7	1201
EMD	CF-7	1503
EMD	CF-7	1504
GE	U-23B	2392
GE	U-23B	2393
GE	U-23B	2394
GE	U-23B	2397
GE	U-23B	2398
GE	U-23B	2399
GE	U-23B	2717
GE	U-23B	3300
GE	U-23B	3317
GE	B23-4	3980
EMD	SW-1200	9366

II. COACHES

<u>MANUFACTURER</u>	<u>TYPE</u>	<u>EQUIPMENT NUMBERS</u>
Unknown	Private	100
Unknown	Vista Dome	3
Unknown	Super Dome	4
Unknown	Private	5
Budd Co.	RDC	9166
Budd Co.	RDC	9168
Unknown	Baggage	1252
Unknown	Baggage	1251
Unknown	Baggage	1250

Please note that CoreStates Bank, N.A. is successor by merger to Meridian Bank, effective June 27, 1996 in accordance with a letter of the Comptroller of the Currency, Northeastern District, dated June 26, 1996. Insofar as previous filings have

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been made naming Meridian Bank as secured creditor, the secured creditor is now by merger CoreStates Bank, N.A.

If you have any questions on any of the above, please call collect.

Very truly yours,

BINGAMAN, HESS, COBLENTZ & BELL, P.C.



Mark G. Yoder

MGY:vlr
Enclosure

cc: Martha M. Winters/CoreStates Bank, N.A. (6-105-8-20)

SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C. 20420-0001

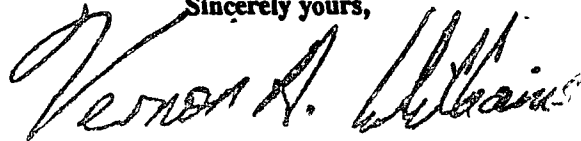
1/21/97

Mark G. Yoder, Esquire
Bingham, Hess, Coblenz & Bell, P.C.
660 Penn Square Center
601 Penn Street
P. O. Box 61
Reading, PA., 19603

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/21/97 at 4:30PM, and assigned recordation number(s). 20508.

Sincerely yours,

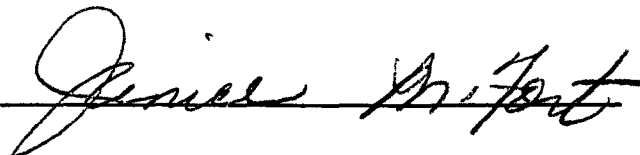


Vernon A. Williams
Secretary

Enclosure(s)

\$ 22.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



Date of this Security Agreement: 12/19/96

SCHEDULE

Part 1 Owner's name (last name first, if individual) and filing address (street, municipality, county, state, zip):

Reading Blue Mountain and Northern Railroad Company

1 Railroad Blvd., P.O. Box 218

Port Clinton

Schuylkill County

PA 19549

Name of legal owner of Borrower's filing address:

Same

RECORDATION NO. 20508

JAN 21 1997

Part 2: Other locations (i.e. addresses) of Collateral in addition to Borrower's address in Part 1 (provide name of legal owner of each location if other than Borrower) (if no other locations, type "None")

None

WILL ☒

Part 3: Liabilities WILL NOT ☐ be incurred, in whole or in part, for the purpose of enabling Borrower to purchase, or acquire rights in or use of, any of the Collateral.

Part 4: "Collateral", as used in this Security Agreement, refers to the types of property initialled by Borrower and checked below:

 ☒ **ACCOUNTS:** Meaning, all of Borrower's present and future accounts, contracts, chattel paper, instruments and documents, and all other rights to the payment of money, including but not limited to any Specific Property described below, whether or not yet earned, for services rendered or goods sold, consigned, leased or furnished by Borrower, together with all general intangibles, guaranties and securities relating to any of the foregoing, and all returned, reclaimed or repossessed goods the sale, consignment, lease or other furnishing of which shall have given or may give rise to any of the foregoing, including, without limitation, the right of stoppage in transit

 ☒ **INVENTORY:** Meaning, all of Borrower's present and future inventory (including but not limited to goods held for sale or lease or furnished or to be furnished under contracts of service, raw materials, work in process, finished goods, goods used or consumed in business, or any Specific Property described below), whether owned, consigned or held on consignment, together with all merchandise, component materials, supplies, incidentals, office supplies, packaging materials and other goods or items used or to be used in connection with inventory, all present and future documents, instruments and general intangibles (including but not limited to all manufacturing and processing rights, patents, patent rights, licenses, trademarks, trade names, trade secrets and copyrights) pertaining to or utilized in the consumption, sale, consignment, lease, promotion, shipment or storage of inventory, and all returned, reclaimed or repossessed goods sold, consigned, leased or otherwise furnished by Borrower.

 ☒ **EQUIPMENT:** Meaning, all of Borrower's present and future machinery, motor vehicles, equipment, furniture, fixtures, tools, dies, jigs, molds and all other tangible personal property, including any Specific Property described below, and all parts, substitutions, accretions, accessions, attachments, accessories, additions, components and replacements of Equipment now or hereafter placed thereon, together with all documents, instruments and general intangibles relating to Equipment (including but not limited to trademarks, trade names, trade styles, copyrights, brands, patents, patent rights, licenses, trade secrets, and all manuals of operation, maintenance or repair) utilized in connection with Equipment.

 ☒ **GENERAL INTANGIBLES:** Meaning, all of Borrower's present and future general intangibles, which term shall have the meaning given to it in the Uniform Commercial Code and shall additionally include but not be limited to all tax refunds, patents, tradenames, service marks, trademarks, copyrights and other intellectual property and proprietary rights

 ☐ **CROPS:** Meaning, all of Borrower's crops, including but not limited to any Specific Property described below, now or hereafter planted, growing, stored or being processed on or within the real property described immediately below, all present and future products thereof, all present and future seed, fertilizer and supplies, and all present and future inventory, instruments, documents and general intangibles pertaining to Crops (including but not limited to federal farm subsidies).

The real property where the crops are planted or to be planted, or growing or to be grown is (include county):

and the name of the legal owner of the real estate, if other than Borrower, is.

 ☐ **LIVESTOCK:** Meaning, all of Borrower's present and future livestock, whether acquired by purchase or natural increase, and the offspring thereof (including without limitation offspring in gestation), including but not limited to any Specific Property described below, together with all present and future products of Livestock, feed, supplies, inventory, instruments, documents and general intangibles pertaining to Livestock (including but not limited to federal farm subsidies and certificates of ownership, origin or pedigree).

 ☐ **FARM EQUIPMENT:** Meaning, all of Borrower's present and future farm or farming equipment, machines, machinery, motor vehicles, motorized or mobile machinery and equipment, fixtures or other goods affixed to or installed or used in or upon any real estate described in Part 1 or Part 2 of this Schedule, hand tools, power tools, implements, supplies and all other goods and types of goods of every type and nature, without limitation, used in connection with Borrower's farming operations, including but not limited to any Specific Property described below, together with all parts, substitutions, accretions, accessions, attachments, accessories, additions, components and replacements of Farm Equipment, all manuals of operation, maintenance or repair for Farm Equipment and all documents, instruments and general intangibles pertaining to Farm Equipment.

 ☐ **CONSUMER GOODS:** Meaning, the following specific property, together with any documents, instruments or general intangibles and all manuals of operation, repair or maintenance relating to the following

 ☐ **SPECIFIC PROPERTY:** In addition to any types of property initialled and checked above, the Collateral includes, without limitation, the following Specific Property (give all details for exact identification, if space is not sufficient, insert "SEE ATTACHED ADDENDUM" and describe Collateral on "Addendum"), together with any documents, instruments or general intangibles relating to the following Specific Property.

THE FOLLOWING ADDITIONAL PROPERTY SHALL IN EVERY CASE CONSTITUTE COLLATERAL

RECORDS: Meaning, all present and future files, books, ledgers, records, bills, invoices, receipts, deeds, certificates or documents of ownership, warranties, bills of sale, and all other data, data storage systems, and processing media, customer lists and software and related material of Borrower, and all copies and reproductions of all the foregoing

ADDITIONAL SECURITY: Meaning, all monies, securities and other property of Borrower and the proceeds thereof, now or hereafter in the possession or custody of, or in transit to, Bank for any purpose including safekeeping, collection, pledge or otherwise, in any and all deposits (whether general or special) and credits now or hereafter maintained by Borrower for its account with Bank, and in any claims of Borrower against Bank

PROCEEDS: Meaning, all proceeds as defined in the Uniform Commercial Code and shall additionally include whatever is received upon the use, or other utilization or disposition of any Collateral granted to Bank in this Security Agreement as set forth above, whether cash or noncash, including but not limited to all lease or rental payments, accounts, chattel paper, instruments, documents, contract rights, general intangibles, equipment, inventory, insurance proceeds, and all proceeds of the foregoing

1. GRANT OF SECURITY INTEREST. In consideration of, and as security for, the Liabilities of the Borrower to Bank described below and intending to be legally bound, Borrower grants Bank a security interest in the Collateral. This Security Agreement and the security interest granted herein shall stand as general and continuing security for all Liabilities and may be retained by Bank until all Liabilities have been satisfied in full; provided, however, that this Security Agreement shall not be rendered void by the fact that no Liabilities or commitment by Bank to make advances to the Borrower exists as of any particular date, but shall continue in full force and effect until the filing of a termination statement signed by Bank with respect to all of the Collateral. The grant of a security interest in Proceeds does not, and shall not be interpreted to, constitute authorization or consent by Bank to any disposition of any Collateral.

2. LIABILITIES. The term "Liabilities" includes all liabilities of Borrower to Bank, whether now existing or hereafter incurred, matured or unmatured, direct or contingent, joint or several, whether created directly or acquired by assignment or otherwise, including all past and future advances or readvances, and any extensions, modifications or renewals thereof and substitutions therefor, all amounts advanced by Bank hereunder on behalf of Borrower including, without limitation, advances for taxes, insurance, the maintenance or repair of the Collateral, or the establishment, maintenance or enforcement of Bank's security interest therein; all late charges, penalties and other such sums due under any agreement of Borrower with Bank; all liabilities (including Professional Fees and Costs, as hereinafter defined) incurred by Bank arising from or related to any hazardous materials or dangerous environmental conditions at any real property owned or occupied by Borrower; and all of Bank's costs and expenses incurred in connection with the enforcement and collection of the Liabilities, whether or not suit is instituted, and whether or not bankruptcy or insolvency proceedings have been instituted by or against Borrower, including without limitation, costs and expenses incurred in the handling, storage, sale or other disposition of Collateral and reasonable fees and costs of attorneys, appraisers, accountants, consultants and other professionals ("Professional Fees and Costs").

3. OWNERSHIP; OTHER LIENS. Borrower represents and warrants that it is, or as to Collateral to be acquired after the date hereof will on the date of acquisition be, the sole owner of the Collateral, that this Security Agreement creates a first lien in and to all Collateral, and that there are and will be no other liens, security interests, encumbrances or adverse claims by any person to any of the Collateral except as previously disclosed to and consented to by Bank in writing. Borrower covenants and agrees to keep the Collateral free from, defend it against, discharge and immediately notify the Bank in writing of, any and all other liens, security interests or encumbrances, prior assignments, claims, set-offs or demands of all persons at any time claiming any Collateral or any interest therein.

4. PURCHASE MONEY LOAN. Borrower covenants and agrees that any Liabilities created for the purpose of enabling the Borrower to acquire rights in or use of any Collateral will be used solely for such purpose and for no other purpose, and authorizes the Bank to disburse the proceeds of such purchase money loan directly to the seller.

5. LOCATION, USE OF COLLATERAL. Borrower represents and warrants that:

(a) Collateral (other than Crops) is being and will be kept at Borrower's address set forth in Part 1 of the Schedule to this Security Agreement (the "Schedule") or at the other location(s) indicated in Part 2 of the Schedule and covenants and agrees not to remove the Collateral therefrom without Bank's prior written consent. Borrower shall deliver to Bank mortgagee's or landlord's waivers as requested by Bank for each location where any Collateral is now or may hereafter be located.

(b) Collateral consisting of Crops is growing or will be planted, grown or stored only on or within the real estate described in Part 4 of the Schedule relating to Crops, and covenants and agrees not to plant, grow or store Crops on or within any other real property without Bank's prior written consent.

(c) Collateral is being used and will be used exclusively for the purpose(s) indicated in Part 4 of the Schedule and covenants and agrees not to change such use without Bank's prior written consent; and

(d) Borrower is the record owner of the real property indicated in Parts 1, 2 and 4 of the Schedule, unless indicated to the contrary therein.

6. BORROWER'S IDENTITY, ADDRESS (ES). Borrower represents and warrants that its official name, if a corporation, partnership or unincorporated association, is accurately and completely set forth in Part 1 of the Schedule, and covenants and agrees that it will not change its name, or its status without Bank's prior written consent. Borrower represents and warrants that the address set forth in Part 1 of the Schedule is its principal business address, if Borrower is engaged in business, or its residence if Borrower is not engaged in business, and covenants and agrees that it will not change such address or the other locations set forth in Part 2 of the Schedule or acquire additional addresses, without at least 30 days' prior written notice to Bank setting forth the effective date of such change and such new address.

7. MAINTENANCE, INSURANCE OF COLLATERAL. Borrower, at its own expense, covenants and agrees to: (a) maintain or cause to be maintained the Collateral in good condition and repair and pay the cost of all repairs to or maintenance of the Collateral and protect, produce, develop, grow and care for all Crops and Livestock covered by this Security Agreement, all in accordance with the highest standards customary for businesses or farming operations similar to Borrower's if Borrower uses the Collateral in business and/or farming operations; (b) maintain or cause to be maintained such insurance covering the Collateral against fire, theft, vandalism and such other risks or hazards as Bank may require in such amounts and with such insurance companies as are satisfactory to Bank, which insurance shall protect Bank's interest in the Collateral as secured lender under separate endorsement or clause not subject to any defenses which such insurance company may have against Borrower and providing for not less than thirty (30) days advance notice to Bank of any cancellation thereof; (c) deliver to Bank, on demand, the contract(s) of insurance or furnish other proof of such insurance to Bank, and (d) comply fully with, and refrain from any use of the Collateral in violation of, any requirements of any insurer of the Collateral.

In the event of loss, Bank, at its option, may (i) retain and apply all or any part of the insurance proceeds to reduce, in such order and amounts as Bank may elect, the unpaid balance of the Liabilities, or (ii) disburse all or any part of such insurance proceeds to or for the benefit of Borrower for the purpose of repairing or replacing the Collateral after receiving proof satisfactory to Bank of such repair or replacement, in either case without waiving or impairing the Liabilities or any other provision of this Security Agreement. Borrower assigns to Bank any return or unearned premiums which may be due upon cancellation of any such policies for any reason whatsoever and directs the insurers to pay to the Bank any amounts so due, and Borrower appoints the Bank its attorney-in-fact to endorse any draft or check which may be payable to Borrower in order to collect any return or unearned premiums or the proceeds of such insurance.

8. TAXES; COMPLIANCE. Borrower covenants and agrees to pay, on or before the due date thereof, all federal, state and local taxes, assessments and other governmental charges of every nature which may be levied or assessed against the Collateral, and to comply fully with, and refrain from any use or lease of the Collateral in violation of, any applicable statutes, regulations or ordinances.

9. RIGHT TO REMEDY CERTAIN DEFAULTS. In the event the Borrower fails to maintain the Collateral, or pay any federal, state or local taxes, assessments or other governmental charges or claims, or fails to maintain insurance on the Collateral and pay all premiums for such insurance, or fails to make any necessary repairs or permits waste, Bank, at its election and without notice or demand to Borrower, shall have the right, but not the obligation, to make any payment or expenditure with the right of subrogation thereunder, including but not limited to purchasing insurance covering Bank's interest in the Collateral, and to take any action which Borrower should have taken, or which Bank deems advisable in order to protect its security interests in the Collateral or its rights under this Security Agreement, and may appear in any action or proceeding with respect to any of the foregoing and retain counsel therein, without prejudice to any of the Bank's rights or remedies available under this Security Agreement or otherwise, at law or in equity. All such sums, as well as costs, advanced by Bank pursuant to this Security Agreement, shall be secured by this Security Agreement and shall be payable on demand, with interest at 2% per annum over the highest rate then payable on any of the Liabilities from the date of payment by Bank until paid in full.

10. DISPOSITION; PROCEEDS. Except as, and only to the extent, expressly permitted in this paragraph 10 or in paragraph 12, Borrower will not sell, assign, lease or otherwise dispose of, or attempt or contract to sell, assign, lease or otherwise dispose of, any Collateral or any interest, right or privilege therein.

Borrower shall have the right, until Bank mails or otherwise sends written revocation of such right to Borrower, to use its Equipment, and to sell or consume its inventory in the ordinary course of its business as disclosed to Bank. Notwithstanding the above, Borrower may sell or otherwise dispose of obsolete Equipment which is no longer used or useful in Borrower's business.

Borrower shall have the right, until Bank mails or otherwise sends written revocation of such rights to Borrower, to use Crops, or any products thereof, in the regular course of its business or farming operations, as the case may be, and to sell or consume such Crops in the ordinary course of its business or farming operations as heretofore conducted by Borrower and disclosed to the Bank, PROVIDED, HOWEVER, THAT Borrower shall not sell such Crops to any buyer, commission merchant, or selling agent whose identity has not been furnished to Bank pursuant to paragraph 15, unless Borrower has notified Bank in writing of the identity of such buyer, commission merchant, or selling agent at least seven (7) days prior to such sale.

11. NOTIFICATION OF ADVERSE EVENTS. Borrower immediately will notify Bank in writing of any occurrence, event, circumstance or condition which affects or will affect the Collateral or the value thereof, the Borrower's or Bank's ability to dispose of the Collateral or Bank's rights or remedies with regard thereto, including but not limited to the issuance or levy of any legal process against the Collateral or the adoption of any marketing order, arrangement or procedure affecting the Collateral, whether governmental or otherwise.

(m) if there is any change in the Borrower's or any other Obligor's officers, principal owners or partners as the case may be, which is unacceptable to Bank in its sole discretion, or

(n) Borrower or any other Obligor defaults under any other agreement or instrument applicable to it representing a material obligation and such default is not remedied within the grace period provided in such agreement or instrument or waived.

17 REMEDIES

(a) Upon the occurrence of a Default, Bank may exercise any one or more of the following remedies, which are cumulative and may be exercised singly or in any combination at any time and from time to time as long as any Default continues, without notice or demand to Borrower or any other Obligor except as expressly required under this Security Agreement or any applicable provision of law which cannot be waived prior to Default:

(1) declare all or any part of the Liabilities, immediately due and payable, as if the same had in the first instance been payable at such time, without requiring any recourse against any other person or property liable for or securing any of the Liabilities;

(2) notify debtors or obligors on any Accounts or Chattel Paper, or any buyers or lessees of any of the Collateral or any other persons, of Bank's interest in the Collateral and require such persons to deliver all Proceeds to Bank, or such other person as Bank may designate, at such time or times and in such manner and form as Bank may direct; and in connection therewith Borrower irrevocably authorizes and appoints Bank its attorney-in-fact, with full power of substitution, to endorse or sign Borrower's name on all collections, checks, notes, drafts, receipts or other instruments or documents, take possession of and open Borrower's mail and remove Proceeds therefrom, and such account debtors, buyers or lessees may accept the receipt of Bank in such circumstances as a full release and acquittance for any amount so paid;

(3) exercise any right of set-off which Bank may have against Borrower, any other Obligor or any Collateral;

(4) exercise all or any of the rights and remedies of a secured party under the Uniform Commercial Code or as creditor under any other applicable law including, without limitation, the right to require Borrower to assemble the Collateral and any records pertaining thereto and make them available to Bank at a time and place designated by Bank;

(5) enter the premises of Borrower and take possession of the Collateral and any records pertaining thereto, and also take possession of all personal property located in or attached to the Collateral without liability to Borrower and hold such property for Borrower at Borrower's expense;

(6) use, operate, manage, lease or otherwise control the Collateral in any lawful manner, collect and receive all rents, income, revenue, earnings, issues and profits therefrom and, in its sole discretion but without any obligation to do so, insure, maintain repair, renovate, alter or remove the Collateral.

(7) grant extensions or compromise or settle claims for less than face value relative to the Proceeds without prior notice to Borrower or any other Obligor;

(8) use, in connection with any assembly, use or disposition of the Collateral, any trademark, trade name, trade style, copyright, brand, patent, patent right, license or technical process used or utilized by Borrower;

(9) take such actions as Bank may deem necessary or advisable to preserve, process, develop, maintain, protect, care for or insure the Collateral or any portion thereof, and Borrower irrevocably appoints Bank as its attorney-in-fact to do all acts and things in connection therewith; or

(10) take any action which Bank may deem necessary or desirable in order to realize on any of the Collateral, including without limitation the power to perform and contract or to endorse in the name of Borrower any checks, notes, drafts, receipts or other instruments or documents received in payment of or on account of, or constituting, any of the Collateral, and Borrower irrevocably appoints Bank its attorney-in-fact with full power of substitution for all or any such acts or purposes, and

(11) sell or otherwise dispose of all or any of the Collateral at any public or private sale at any time or times with or without advertisement or demand upon five (5) calendar days prior written notice to Borrower or any other Obligor, which Borrower acknowledges to be sufficient and commercially reasonable, with the right of Bank or its nominee to become purchaser at any sale (unless prohibited by statute) free from any equity of redemption and from all other claims, and after deducting all expenses for which Borrower is responsible pursuant to Section 20 hereof, apply the remaining proceeds of any sale to pay (or hold as a reserve against) any of the Liabilities.

(b) Except to the extent limited by non-waivable provision of statute, Bank shall not be liable to any person whatsoever, for, or in connection with, the exercise, method of exercise, delay or failure to exercise any of the remedies provided for herein, and Borrower shall indemnify, and agrees to hold harmless and waives and releases Bank from any and all claims, liabilities, actions, costs, suits, demands, damages or losses whatsoever occurring on account of or in connection with such exercise, method of exercise, delay or failure to exercise.

18 NOTICES. All notices, consents and other communications required by or given under this Security Agreement shall be in writing and shall be given by either (i) hand delivery, (ii) first class mail (postage prepaid), (iii) reliable overnight commercial courier (charges prepaid), or (iv) telecopy or other means of electronic transmission, if confirmed promptly by any of the methods specified in clauses (i), (ii) and (iii) of this sentence and shall be sufficient, in the case of Borrower, if sent to the attention of its proprietor, general partner or any executive officer at the address on the records of Bank, and, in the case of Bank, if sent to the address and attention of the loan officer servicing the account of Borrower.

No delay or failure by Bank in the exercise of any right or remedy shall constitute a waiver thereof, and no single or partial exercise by Bank of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy provided for this Security Agreement or otherwise. Any waiver by Bank of any right or remedy or other provision of this Security Agreement shall not preclude Bank from exercising of enforcing the same at any time or times thereafter.

Borrower and each Obligor irrevocably waive the right to interpose and defense (other than payment), set-off or counter-claim of any nature or description in any and all disputes between any of them and Bank whether under this Security Agreement or under any other agreement heretofore or hereafter executed

The invalidity of any portion of this Security Agreement shall not affect the remaining portions, or any part thereof, and in the case of any such invalidity, this Security Agreement shall be construed as if such portion had not been inserted.

20 EXPENSES. Borrower agrees to pay or reimburse Bank, immediately upon demand at any time or times, for all expenses incurred to perfect, protect and maintain continuously perfected Bank's security interest, and the priority thereof, in the Collateral, or to preserve, process, develop, maintain, protect, care for or insure any Collateral, or in the taking, holding, preparing for sale, lease or other disposition, selling, leasing or otherwise disposing of the Collateral, or any other action taken by Bank to enforce or exercise its rights or remedies under this Security Agreement, including, without limitation, all Professional Fees and Costs and all liabilities (including Professional Fees and Costs) incurred by Bank arising from or related to any hazardous materials or dangerous environmental conditions at any real property owned or occupied by Borrower. If Bank advances any sums for such purposes, Borrower shall reimburse Bank therefor on demand, and such advance(s) shall bear interest at 2% per annum over the highest rate then payable on any of the Liabilities from the date(s) of such advance(s) and both the amount of such advance(s) and such interest shall constitute part of the Liabilities secured hereby.

21. LEGAL EFFECT This Security Agreement binds and inures to the benefit of Bank, Borrower, and their respective heirs, administrators, representatives, successors and assigns.

22 CONSTRUCTION Whenever used in this Security Agreement, unless the context clearly indicates a contrary interest:

(a) "Borrower" shall mean each person (whether individual, corporation, partnership or unincorporated association) who executes this Agreement, and subsequent owner of the Collateral, and its or their respective heirs, executors, administrators, successors and assigns;

(b) "Bank" shall mean Meridian Bank and its successors and assigns;

(c) the use of any gender shall include all genders;

(d) the singular shall include the plural, and the plural shall include the singular; and

(e) if Borrower is more than one person, all agreements, conditions, covenants and provisions of this Security Agreement shall be the joint and several undertaking of each of them and shall bind each of them as fully as though each of them were named specifically herein wherever "Borrower" is used.

23. APPLICABLE LAW. This Security Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, without reference to conflict of laws principles. All terms used herein shall have the meanings given to them by the Pennsylvania Uniform Commercial Code, to the extent not otherwise defined herein.

24 CONSENT OF JURISDICTION. Borrower irrevocably agrees and consents to the exclusive jurisdiction of the Courts of Common Pleas for any county in Pennsylvania where Bank has an office and/or the United States District Court for the Eastern District of Pennsylvania in any and all disputes, actions or proceedings between Bank and Borrower, whether arising hereunder or under any other agreement or undertaking and irrevocably agrees to service of process by certified mail, return receipt requested, to it at the address listed in the records of Bank. However, Bank is not precluded from bringing an action against Borrower in any jurisdiction in the United States or elsewhere in which Borrower or any of its property is located. Borrower further agrees not to make any objection in any such action or proceeding that the venue is improper or the forum is inconvenient.

25. ENTIRE AGREEMENT. This Security Agreement, and the documents executed and delivered pursuant hereto or in connection herewith, constitute the entire agreement of the parties and may be amended only by writing signed by or on behalf of each party.

OWNER (If individuals, partnership, etc.)

OWNER (If corporation)

Reading Blue Mountain and
Northern Railroad Company

Corporate Name

Business Name, if any

By Andrew M. Maher, Jr.
Title: Andrew M. Maher, Jr., President

By _____
Title: _____

Attest:
Title

Witness

MERIDIAN BANK

Bv

12. COLLECTION OF ACCOUNTS, ETC. Unless Bank exercises its rights to collect Accounts or Chattel Paper, Borrower covenants and agrees that it will collect all Accounts and Chattel Paper promptly and diligently and will keep accurate books and records thereof and all collections thereof. Borrower shall deliver to Bank immediately upon receipt, any instrument, chattel paper or document of title and shall execute any form of assignment requested by Bank. Borrower shall furnish Bank with agings of its Accounts in such form and detail and at such intervals as Bank may from time to time require.

Borrower covenants and agrees that it will not acquire or enter into any contracts giving or to give rise to any Accounts from the United States or any department, agency or instrumentality thereof without Bank's prior written consent, and will execute any notices, agreements, assignments or other documents, and take any steps required by Bank, in order that all monies due and to become due under such contracts shall be fully assigned to Bank and notice thereof given to the government under the Federal Assignment of Claims Act.

13 BOOKS AND RECORDS. Borrower shall maintain complete and accurate books and records with respect to the Collateral.

14 BANK'S RIGHTS.

(a) Borrower covenants and agrees that Bank may, at its option, at Borrower's expense pursuant to paragraph 20 hereof, at any time and from time to time whether or not a Default has occurred

(1) require Borrower to segregate all cash Proceeds so that they may be identified readily, and deliver the same to Bank at such time or times and in such manner and form as Bank may direct,

(2) require Borrower to deliver to Bank, at such time or times and in such manner and form as Bank may direct, records, schedules and other documentation and data sufficient to show the status, condition, value or location of, or any other information pertaining to, the Collateral,

(3) verify the Collateral, inspect Borrower's books and records and make copies thereof or extracts therefrom, and require Borrower to furnish such witnesses as may be necessary to establish legal proof of the Collateral or such records;

(4) require, as a condition to its consent to any disposition of Collateral requiring Bank's consent, that Borrower pay or deliver or cause to be paid or delivered directly to Bank, or such other person as Bank may designate, the Proceeds of such disposition, agree to increase the rate of interest payable in respect of any of the Liabilities, or comply with any other requirement of Bank,

(5) require Borrower promptly to harvest and/or market any Livestock or Crops if, in the Bank's opinion any delay or withholding of the same from harvesting and/or sale may jeopardize Borrower's ability to obtain a price sufficient to satisfy the Liabilities or any portion thereof,

(6) prohibit Borrower from selling any Livestock or Crops other than for cash,

(7) prohibit Borrower from attaching any Collateral to any land or building or other improvement therein in any manner which might cause such Collateral to become a part thereof, and/or require Borrower to obtain from any owner, encumbrancer or other person having an interest in the property where any Collateral is located, written consent to Bank's removal of the Collateral therefrom, without liability on the part of Bank to such owner, encumbrancer or other person, or require Borrower to obtain from such owner, encumbrancer or other person such waivers of any interest in the Collateral as Bank may require;

(8) place or require Borrower to place on any instrument, document or Chattel Paper, or upon Borrower's books, records, documents or other data relating to Accounts or general intangibles, a notation or legend indicating Bank's security interest therein;

(9) in Borrower's and/or Bank's name (as the Bank in its sole discretion may determine) demand, collect, receive, and receipt for, compound, compromise, settle and give acquittance for, and prosecute and discontinue or dismiss, with or without prejudice, any suits or proceedings respecting any of the Collateral,

(10) prohibit Borrower from granting to any person any rebate, refund, allowance or credit, or accepting from any person any return of any Collateral, without Bank's prior written consent, which consent may be conditioned upon any requirement for payment or additional collateral from the Borrower as Bank, in its sole discretion, may determine;

(11) secure credit in the name of Borrower or in the name of the Bank, or pay, settle or otherwise discharge any unpaid bills or charges for goods delivered or services rendered to or for the benefit of Borrower, if Bank reasonably determines, in its sole discretion, that such action is necessary or advisable to protect, maintain or preserve the Collateral or Bank's security interest therein; and

(12) furnish to Bank, on demand or as soon as possible thereafter, such additional property as Collateral as Bank may from time to time require

15. OTHER DOCUMENTS, ACTS. Borrower covenants and agrees that it will, at any time or times and from time to time, at its own expense, execute and deliver or cause to be executed and delivered such security agreements, certificates, certificates of title, pledges, assignments, financing statements, continuation financing statements, amendments, acknowledgments and other documents, and will perform or cause to be performed such other acts, as Bank may request in order to establish, preserve or maintain a valid and continuously perfected security interest in, or to determine the priority of, or terminate or enforce Bank's security interest in, the Collateral, and pay all costs and expenses incurred in connection therewith. To the extent legally permissible, Borrower irrevocably authorizes and appoints Bank as its attorney-in-fact, with full power of substitution, to execute on Borrower's behalf and file at Borrower's expense a financing statement or statements, or any amendment or amendments thereto, in those public offices deemed necessary or appropriate by Bank to establish, maintain and protect a continuously perfected security interest in the Collateral. Borrower will reimburse Bank on demand for any sums advanced by Bank for any of the purposes described herein. The amount of such advance(s) shall bear interest at 2% per annum over the highest rate then payable on any of the Liabilities from the date thereof and both the amount of such advance and such interest shall constitute part of the Liabilities secured hereby.

Upon Bank's request, the Borrower is required to furnish Bank with a list of buyers, commission merchants, and selling agents (as defined in the Food Security Act of 1985, 7 U.S.C. {1631} to or through whom Borrower might sell any farm products

16. DEFAULT. The occurrence of any one or more of the following shall constitute a Default under this Security Agreement

(a) non-payment or non-performance of any of the Liabilities, or any portion thereof, when and in the manner due or to be performed whether due by acceleration or otherwise,

(b) failure by the Borrower to observe or perform any covenant, agreement, condition or term of this Security Agreement;

(c) the occurrence of a default under any agreement or instrument now or hereafter in connection with any of the Liabilities or breach by Borrower or any other Obligor (which term shall refer to any maker, co-maker, endorser, guarantor or surety of, or other person obligated under any statute for, any of the Liabilities) of any obligation or duty to Bank;

(d) any representation or warranty in any financial or other statement, schedule, certificate, or other document of Borrower or any other Obligor delivered to Bank by or on behalf of Borrower or any other Obligor shall prove to be false, misleading or incomplete in any material respect,

(e) a material adverse change occurs in the financial condition of Borrower or any other Obligor which is unacceptable to Bank in its sole discretion from the condition most recently disclosed to Bank in any manner;

(f) Borrower or any other Obligor dies, dissolves, liquidates, merges, reorganizes, changes its name, sells or otherwise disposes of substantially all of its assets or ceases to conduct operations, or prepares or attempts to do any of the foregoing;

(g) a trustee or receiver is appointed for Borrower or any other Obligor or for all or a substantial part of its or their property or Borrower or any other Obligor commences any bankruptcy or other similar proceedings under any insolvency law, state or federal, or any such proceeding is commenced against Borrower or any other Obligor, or Borrower or any other Obligor becomes insolvent, or generally fails to pay or is generally unable to pay its debts, or makes an assignment for the benefit of creditors or admits in writing its insolvency or inability or failure to pay its debts generally as they become due, or fails within 30 days to pay or bond or otherwise discharge any judgement which is unstayed pending appeal,

(h) Borrower or any other Obligor expresses an intent to terminate or revoke responsibility for any Liabilities, or any material term of any document executed in connection with the Liabilities is found or declared to be invalid by a court of competent jurisdiction,

(i) ~~any property of the Borrower or any other Obligor becomes the subject of any attachment, garnishment, levy or lien (unless expressly permitted in writing signed by Bank),~~

(j) any substantial part of the property of Borrower or any other Obligor is taken or condemned by any governmental authority;

(k) Borrower or any other Obligor assigns or otherwise transfers, or attempts to assign or transfer, any of its right, title and interest in any of the Collateral without the prior written consent of Bank;

(l) Borrower or any other Obligor fails to furnish financial or other information as Bank may reasonably request,